

AR11



Paper, product of our times

Paper is one of the oldest and most enduring inventions of man.

Through the ages, as the human mind discovered new products that were later to play a primary role in our lives, such as cloth, steel and cement, paper never ceased to satisfy a fundamental need.

Today this product is as indispensable to our daily requirements as are plastic and aluminum.

Together with wood, its primary source of raw material, paper adapts itself to the evolving needs of mankind.

Although more than a thousand years old, paper is as contemporary as our needs, a product of our times.

44th Annual Report

Rolland Paper Company, Limited
Papermaking Specialists

Head Office:
800 Victoria Square, Suite 3620
Montreal 115, Quebec

Sales Offices:
Montreal, Toronto and Quebec

Paper Mills:
St. Jerome and Mont Rolland, Quebec
and Scarborough, Ontario

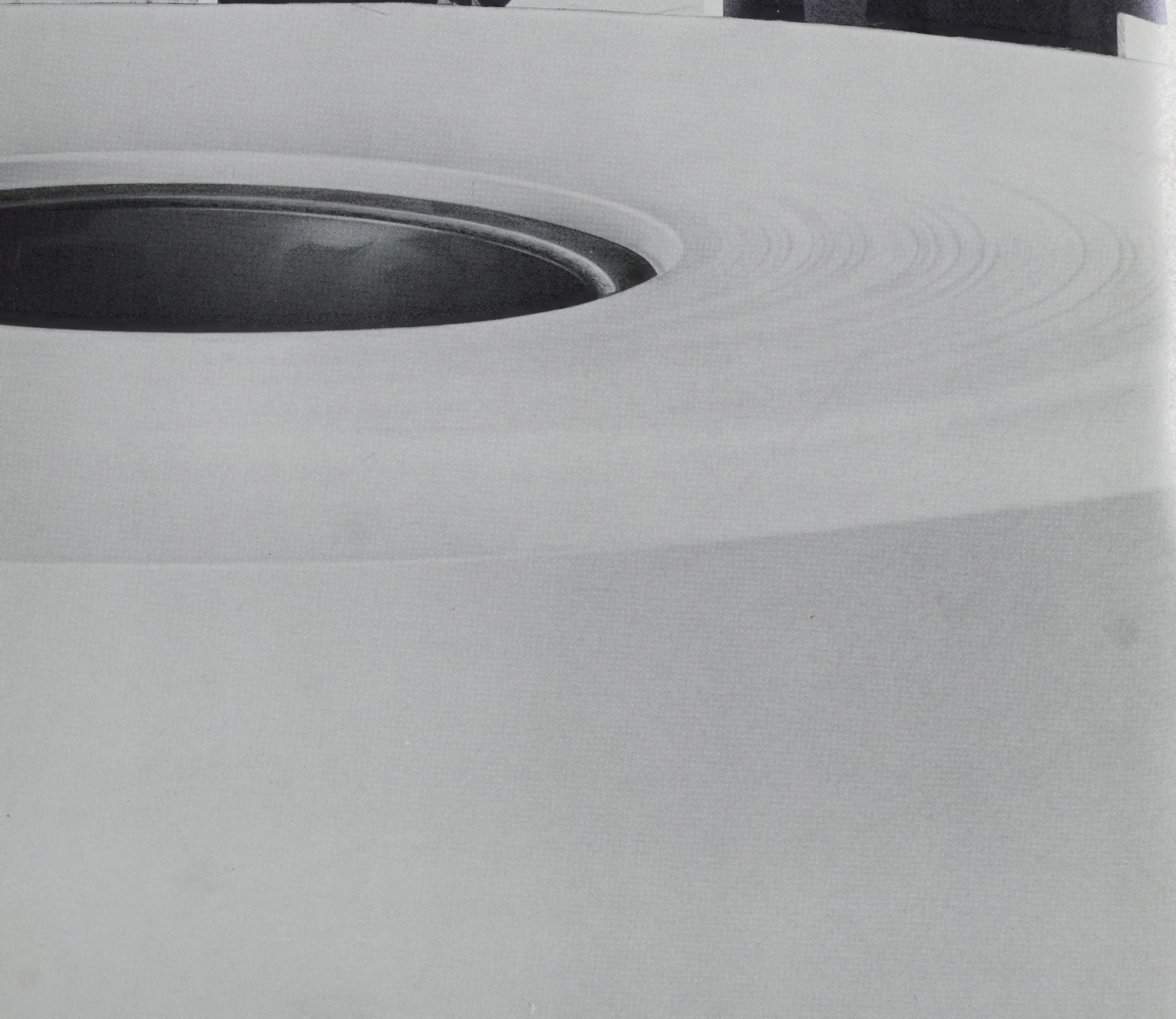
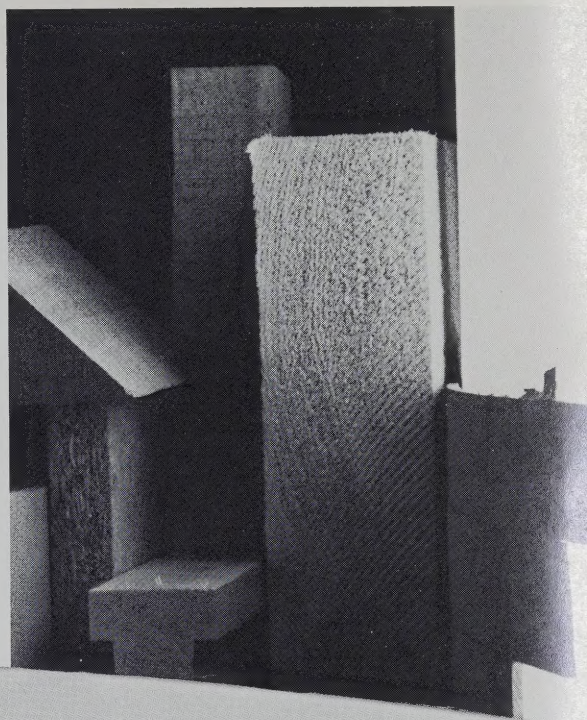
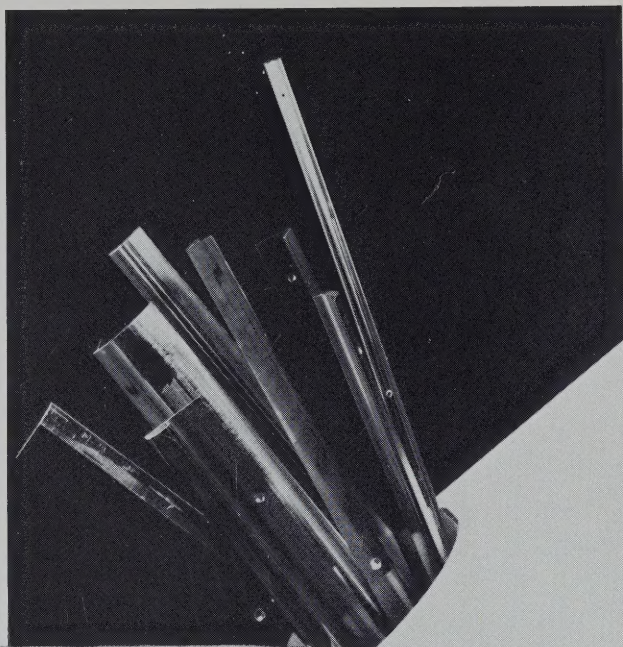
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The Annual General Meeting of Shareholders will be held at the Head Office of the Company, 800 Victoria Square, Suite 3620, Montreal, Quebec, at 11:00 A.M., March 29, 1972.

Si vous préférez recevoir votre rapport annuel en français, prière d'aviser le Secrétaire, Compagnie de Papier Rolland, Limitée, 800, Place Victoria, Suite 3620, Montréal 115, Québec.

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Highlights

	1971	1970
Net sales	\$41,555,060	\$34,084,751
Net Earnings (loss)	150,171	(421,871)
Per class "A" share	0.05	(0.25)
Per class "B" share	0.05	(0.29)
Cash Dividends	—	534,007
Per class "A" share	—	0.30
Per class "B" share	—	0.26
Cash Flow	1,088,887	585,631
Per class "A" share	0.56	0.30
Per class "B" share	0.56	0.26
Book Value per class "A" and "B" shares	8.90	8.85
Working Capital	8,385,170	7,750,985
Long-term Debt	7,900,500	8,024,500
Capital Expenditures	297,388	693,710

Directors

Hon. John B. Aird, Q.C.
Partner, Edison, Aird & Berlis,
Barristers and Solicitors
Toronto

*G. Drummond Birks, B.Comm.
Vice-President, Henry Birks
& Sons Limited
Montreal

Paul Chapdelaine, C.A.
President and General Manager
St. Lawrence Cement Company
Montreal

E. Jacques Courtois, Q.C.
Partner, Laing, Weldon, Courtois,
Clarkson, Parsons, Gonthier & Tétrault,
Barristers and Solicitors
Montreal

Richard A. Irwin
Chairman of the Board
Consolidated-Bathurst, Limited
Montreal

Herménégilde A. LeBlanc, C.A.
Secretary, Rolland Paper Company,
Limited
Montreal

*Gérard Plourde, M.Comm.
Chairman of the Board, UAP Inc.
Montreal

*Albert Rolland
Vice-President and Marketing Consultant
Rolland Paper Company, Limited
Laval

*Lucien G. Rolland, B.A., B.A.Sc., C.E.
President and General Manager
Rolland Paper Company, Limited
Montreal

Marc Rolland
Retired Executive
St. Jerome

Olivier Rolland
Retired Executive
Montreal

*Joseph A. Weldon, C.A., M.B.E.
Vice-President and Financial Consultant
Rolland Paper Company, Limited
Montreal

*Member of the Executive Committee.

Officers

Lucien G. Rolland
President and General Manager

Joseph A. Weldon
Vice-President and Financial Consultant

Albert Rolland
Vice-President and Marketing Consultant

Jean-Louis Chollet, Eng.
Executive Vice-President,
Book and Fine Papers Division

Hugh M. Craig, B.Sc., Ph.D.
Executive Vice-President,
Coated Papers Division

Bruno Julien, B.A., M.A., M.B.A.
Vice-President — Personnel

Alphonse St. Jacques, M.Comm., C.A.
Vice-President and Treasurer

Herménégilde A. LeBlanc
Secretary

Michel Gagnon, M.Comm., C.A.
Controller

Transfer Agents

Montreal Trust Company
Royal Trust Company

Registrars

Canadian Trust Company
Bankers Trust Company

Shares Listing

Montreal Stock Exchange
Toronto Stock Exchange

Auditors

Touche, Ross & Co.

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Directors' Report to the Shareholders

Conditions of the past two years have been detrimental to the fine paper industry. Inflationary costs coupled with a serious downward pressure on domestic price levels following the sudden opening of the Canadian market to cheaper foreign products in 1969, eroded profit margins. Although sales volume was higher, Canadian fine paper producers were unable to generate an acceptable level of earnings. Your own Company found it difficult to attain its objective of providing a satisfactory return on shareholders' investment while retaining sufficient funds to maintain its growth.

Conditions throughout 1971 did not improve. Demand for Canadian fine papers was still weak following the economic slowdown, lower expenditures on advertising and a reduced level of promotion as a result of postal rate increases. Furthermore, a stronger Canadian dollar together with the imposition of the U.S. 10% surcharge deprived Canadian fine paper producers of an already marginal export market for their products. Your Company reduced its shipments to the United States. Total exports now account for 15% of our production compared to 25% in mid-1970.

Concurrently, foreign imports, especially from the United States were higher. An over-capacity situation in American mills coupled with the lower value of the U.S. dollar resulted in a marked increase over last year. Imports from the United States were 19% higher than in 1970.

Together with the weak Canadian demand, this larger volume of imports kept Canadian prices at a level which did not offset the inflation in costs of labour, raw material and freight. On the contrary, price erosion continued and Canadian producers, in the face of these increases, were unable to maintain orderly marketing conditions.

Our financial results for 1971 reflect these conditions. Despite sales of \$41½ million, consolidated net income amounts to \$150,171. This represents \$0.05 per share and although an improvement over last year's loss of \$421,871, earnings are not sufficient to reinstate the dividends on the class "A" and class "B" shares. Furthermore, the extent of the improvements should be interpreted with care. Consolidated 1970 results were affected by a long interruption of operations and did not include the results of The Wilson-Munroe Company Limited, acquired on November 11, 1970.

Other major difficulties occurred during the year:

- a) The long strike during the summer of 1970 had weakened our position in the Canadian market. This was compounded by increased imports and severe domestic price competition during 1971. However, at year-end, we had recaptured more than 50% of the market share which we had lost in the previous year.
- b) Limited finishing capacity forced a temporary reduction of operations at our coating mill, resulting in lower shipments, unduly high costs and an operating loss. This situation has been corrected.

In the context of low prices and high costs, the fine paper manufacturing division operated at only 80% of its seven-day capacity and its profitability was marginal. As a result, capital expenditures were held at their lowest level in the past 18 years. Our distribution operations, however, made good progress. They were started in 1969 with the purchase of Fine Papers, Limited in Toronto and were later expanded through the acquisition of The Wilson-Munroe Company Limited, with warehouses in Montreal and Toronto.

Looking ahead to 1972, we see some improvement but we face too many unknown factors to expect a quick turnaround in earnings.

There are indications of a gradual business upswing in both Canada and the United States which should strengthen demand. There are also signs that the competitive pressures which have been prevalent in the American market over the last two years may lose some of their intensity as obsolete facilities in United States are retired, and demand and supply reach a normal balance. The present overall operating rate of American mills is close to 90%, and indications are that projected capacity increases will be much less than the 5% normal yearly growth in demand.

Hopefully these two factors should allow for a progressive firming up of prices and a more orderly marketing of fine paper products.

Government policies towards the fine paper industry are also a determining element. By substantially reducing tariffs in 1967 and accelerating the implementation of these reductions in 1969, Canadian authorities aimed at re-orienting the industry from a domestic to an international one. It is now evident that these Government steps were premature.

Fine papers are not a major part of international trade. In most countries such products are made under import tariff protection in quantities usually sufficient to satisfy local demand. Those countries which are short of raw materials can afford to import pulp duty free. None of these countries substantially reduced their tariffs in 1967, except the U.S.A.

In depriving manufacturers of half of their protection, government authorities put the Canadian industry at a considerable disadvantage. Furthermore, it exposed it to a level of competition which it could not be expected to meet. The most severe competition originated from the United States where domestic market conditions favour a high degree of specialization and lower production costs.

Present conditions are not conducive to a very profitable fine paper industry. The Canadian domestic market finds it difficult to generate an overall level of productivity comparable to those of American mills. If the Government wishes to pursue its policy of orienting our industry internationally, it must secure easier access to foreign markets while allowing its manufacturers to become competitive through specialization of their operations. This can only be achieved by protecting adequately the Canadian market for a period of adaptation of at least 10 years before it is thrown wide open to foreign competition.

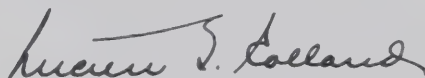
If the Government is unable to secure such access and lead time for Canadian producers, it must protect industry with adequate tariffs.

On January 4, 1972, the top echelons of the Company's organization were reorganized on a divisional basis, and two new profit centres were created. Dr. Hugh M. Craig became Executive Vice-President, Coated Papers Division, Mr. Jean L. Chollet became Executive Vice-President, Book and Fine Papers Division, while Mr. David Heron continued as President of both The Wilson-Munroe Company Limited and Fine Papers, Limited.

This reorganization will accelerate decisions and will effect a more efficient integration of marketing concepts and of production activities within each division. This new approach has already created enthusiasm on the part of our employees, as they realize the benefits to be expected from our strengthened organization.

Throughout the year, the men and women who make up the Rolland organization have combined their industry and their skills in all areas of our business. Your Directors record with gratitude their appreciation of the efforts of each and every member of the Rolland team.

On behalf of the Board of Directors,



Lucien G. Rolland
President and General Manager

Montreal, February 4, 1972

The Year in Review

Earnings and Dividends

Consolidated net earnings amount to \$150,171 or \$0.05 per "A" and "B" shares for the current year, compared with a loss, after tax credit, of \$421,871 or \$0.25 per "A" share and \$0.29 per "B" share in 1970.

Earnings for 1971 include a gain of \$39,660 from the expropriation of a Company property. The current year results, however, are affected by lower profits on purchases of Company bonds for cancellation, and by the loss of dividend income from our investment in Consolidated-Bathurst Limited shares since July 1970.

Consolidated net sales of \$41,555,060 are \$7,470,309 or 21.9% higher than last year, mainly due to the inclusion of results of The Wilson-Munroe Company Limited for the first time in 1971.

Our cost reduction programme was continued during the year resulting in lower fixed production costs and selling and administrative expenses in the manufacturing divisions. Total selling and administrative expenses show a large increase because of the consolidation with The Wilson-Munroe Company Limited. Prices paid for raw material, labour, freight

and fuel oil over which we have a very limited control continued to increase. For instance, the price of fuel oil for steam production was raised by 67% at the end of 1970, adding \$326,000 to our annual production costs.

Payment of dividends on the class "A" and the class "B" shares has been omitted since the last quarter of 1970, while quarterly payments of the preferred dividend of 4¼ % per year were regularly declared. Total common and preferred dividend disbursements amount to \$60,435 in 1971, compared to \$594,442 in 1970.

Financial Position

To protect our financial resources, cash outlays for capital expenditures, long-term debt reduction and dividend payments were greatly reduced in 1971. This, combined with an improvement in the cash flow from operations, produced an increase of \$634,182 in the consolidated working capital, as compared to a decrease of \$2,150,338 last year. Consolidated working capital of \$8,385,167 at December 31, 1971 is considered satisfactory for current operations.

An amount of \$124,000 was disbursed during the year to redeem the 4½ % Sinking Fund bonds. The Sinking Fund requirements of this issue are satisfied until January 2, 1973, while those of 5¾ % debentures are satisfied until July 2, 1973. An amount of \$300,000 was also disbursed for the cancellation of the remainder of our 5½ % serial debentures. There was no long-term debt instalment due within one year at December 31, 1971.

Total assets before depreciation are \$51.3 million at December 31, 1971. The rate of return on these assets is unduly low at 0.3% compared with returns of 3% to 5% which we enjoyed in the period preceding the Kennedy Round customs tariff reductions.

Marketing

It was a difficult year for the marketing of our products. At the outset we were faced with the effects of the long strike at our St. Jerome and Mont Rolland mills during 1970. Due to the six-week interruption of operation, our market share had seriously deteriorated and the necessity of strengthening our position in a more competitive market, following the progressive integration of distributors with fine paper manufacturers throughout Eastern Canada, made the task a difficult one. A soft market and an unstable pricing situation presented further problems.

The situation improved as the year progressed, and by December, we had strengthened our position in the market. However, our profitability was lower. Higher imports required that we introduce cheaper grades and improve the quality of our regular grades. Despite the ensuing higher production costs, no price increases could be implemented.

Our efforts to export to the United States met with little success. The weakening of the American dollar caused our products to be more expensive. This was further aggravated by the 10% surcharge. Other world markets, South Africa and England mainly, are becoming less attractive due to new or higher tariffs and increased domestic production from new mills. Such an unstable environment forces us to continually review our position which discourages any long-term planning.

In summary, 1971 has been a year of continuing marketing adjustments and reactions to a soft market. To be profitable, the industry must achieve price increases without diminishing its volume of domestic production.

Production

As a result of the weak demand for Canadian fine paper products, our fine paper mills operated at an average rate of 80% of full seven-day capacity. Throughout the year, we were forced to curtail operations. The Mont Rolland mill was closed for two weeks in July and one week in December while the St. Jerome mill shutdown two of its machines in July.

The gap between productivity gains and inflationary increases in production costs is a continuous challenge to our engineers and production personnel. Despite the numerous improvements that were achieved in previous years, we find it difficult to decrease the unit cost of our products. In 1971 alone, variable production costs rose by more than 5% following higher labour costs and generally more expensive raw materials.

Although capital expenditures were kept to a minimum, several projects were implemented. The finishing capacity of our coating mill was increased thereby allowing for higher output and better deliveries at year-end. A new cut stock packaging line was installed at our St. Jerome mill. On-line control through the use of the process computer was extended to a second paper machine. This will allow a more uniform quality especially at a time when frequent grade changes must be made.

A most severe competitive situation has developed amongst Canadian fine paper producers, as a result of over-capacity throughout the domestic industry and increased imports. This has forced us to change our product characteristics and modify our product lines. Such conditions put undue pressure on our manufacturing operations. Nevertheless, with the help of our technical personnel, we have

succeeded in meeting the challenge and have introduced new products. In 1971, our mills produced a new opaque uncoated offset paper which was well received in the market.

With the financial help of the National Research Council of Canada, our programme of technical development for coated papers was actively pursued. The objectives were to improve coating formulas and develop highly specialized coated products.

Our water pollution control programme continued during the year. Our two fine paper mills are now operating at a lower level than that set by the Quebec Water Board, and we intend to continue to improve our recovery systems and the purity of our effluents.

Personnel

Emphasis was put on development of human resources during this past year. The management course for all management personnel at both our St. Jerome and Mont Rolland mills was completed early in 1971. It was later extended to Canada Glazed Papers and certain members of subsidiary companies.

The accident prevention programme introduced at both the St. Jerome and Mont Rolland mills has produced substantial results. Accidents causing work stoppages or loss of production time are down 41%, when compared to 1970, while total production days lost, as a result of accidents, are 49% lower. A similar programme was extended to our coating mill in Scarborough. After a few months, accidents have been reduced by 45% and days lost are expected to decrease substantially.

Industrial Relations Committees met regularly throughout the year. These joint committees exist within every bargaining unit. They improve communications and accelerate the solving of problems.

Communication and human relations programmes, initiated in 1970, were actively pursued and improved. Certain objectives have been met, as we can perceive on the part of our employees a keener interest in the problems of our Company, and a sense of responsibility in finding effective solutions.

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Gross Profit Margin — Manufacturing Divisions

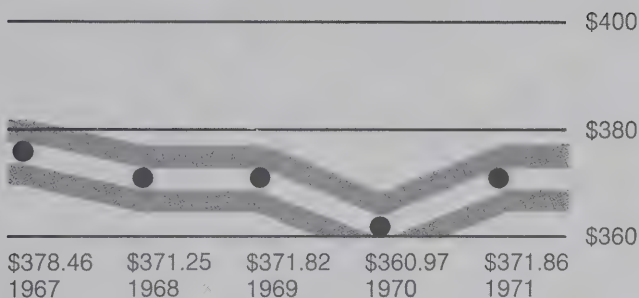
Revenue from sales in our manufacturing divisions decreased from \$378.46 per ton in 1967 to \$360.97 per ton in 1970. The cheaper grade mix reflects the higher volume of shipments to the U.S.A. market. Average selling price increased to \$371.86 per ton last year, as we eliminated marginal export sales.

Cost of sales increased continually in the last five years from \$317.97 per ton to \$344.03 per ton. In 1970 especially, rapid increases in pulp prices, labour and freight rates, combined with unabsorbed fixed costs during a six week strike added \$19.29 per ton to our cost of sales.

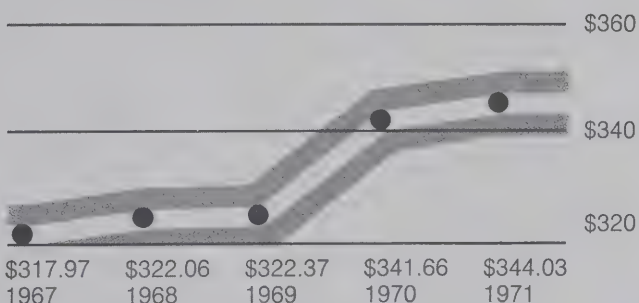
In 1971, higher productivity of paper machines, as a result of capital expenditures made in previous years, improved efficiency in the finishing room at the paper mills, and a reduction in our fixed costs, successfully reduced the inflationary trend of our cost structure. However, a continuation of rapid advances in labour and freight rates, a further increase in pulp prices, and a 67% increase in the price of fuel oil continued to exert a downward pressure in the manufacturing divisions profit margin.

The major reduction in the profit margin of our manufacturing divisions suffered in 1970, and its partial recovery in 1971, are clearly shown on the third chart.

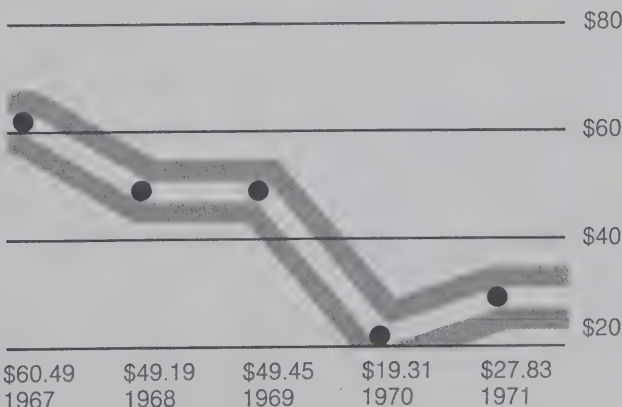
SALES PER TON — MANUFACTURING



COST OF SALES PER TON — MANUFACTURING



PROFIT MARGIN PER TON — MANUFACTURING



Rolland Paper Company, Limited
Statement of Consolidated Income and Expense

	Year ended December 31 1971	1970
Net Sales	\$41,555,060	\$34,084,751
Cost of sales	35,787,099	30,436,237
Gross profit	5,767,961	3,648,514
Selling and administrative expenses	3,941,339	3,023,190
Depreciation	1,292,146	1,256,525
Bond interest	458,691	484,456
	5,692,176	4,764,171
	75,785	(1,115,657)
Interest and other income	137,490	264,934
Earnings (loss) from operations before income taxes	213,275	(850,723)
Income taxes	106,659	(324,414)
Net earnings (loss) from operations	106,616	(526,309)
Capital gain and interest net of taxes on expropriated property	39,660	—
Dividend income	—	62,500
Excess of par value over purchase price of bonds redeemed	3,895	41,938
Net earnings (loss) for the year	\$ 150,171	\$ (421,871)
Net earnings (loss) per share — Note 9		
Per class "A" share	\$ 0.05	\$ (0.25)
Per class "B" share	0.05	(0.29)

Rolland Paper Company, Limited

Statement of Consolidated Source and Application of Funds

	Year ended December 31	
	1971	1970
Source of Funds		
Cash flow from operations		
Net earnings (loss)	\$ 150,171	\$ (421,871)
Depreciation	1,292,146	1,256,525
Deferred income taxes	(353,430)	(249,023)
	<u>\$ 1,088,887</u>	<u>\$ 585,631</u>
Application of Funds		
Capital expenditures — net	\$ 270,267	\$ 658,458
Long-term debt reduction	124,000	726,500
Dividends	60,435	594,442
Investment in The Wilson-Munroe Company Limited, net of working capital acquired	—	756,569
	<u>454,702</u>	<u>2,735,969</u>
Increase (decrease) in Working Capital	<u>634,185</u>	<u>(2,150,338)</u>
	<u>\$ 1,088,887</u>	<u>\$ 585,631</u>
Working Capital	<u>\$ 8,385,170</u>	<u>\$ 7,750,985</u>

Rolland Paper Company, Limited
Consolidated Balance Sheet

Assets

	At December 31	
	1971	1970
Current		
Cash	\$ 241,048	\$ 139,516
Short-term investment at cost (market value \$200,022)	200,022	1,302,302
Accounts receivable	4,971,139	4,706,242
Income taxes recoverable	23,499	669,137
Inventories — Note 2	6,716,093	6,639,591
Prepaid expenses	157,619	161,736
	<u>12,309,420</u>	<u>13,618,524</u>
Investment at Cost — Note 3	5,862,651	5,862,651
Fixed		
Property, plant and equipment — Note 4	14,758,442	15,780,321
Excess of consideration for acquisition of shares of subsidiaries over their book value	588,647	588,647
	<u><u>\$33,519,160</u></u>	<u><u>\$35,850,143</u></u>

On behalf of the Board:
Lucien G. Rolland, Director
J. A. Weldon, Director

Liabilities

	At December 31	
	1971	1970
Current		
Bank indebtedness, secured	\$ 433,203	\$ 1,596,437
Accounts payable and accrued liabilities	3,105,601	3,955,363
Income taxes payable	385,446	15,739
Long-term debt instalment due within one year	—	300,000
	<u>3,924,250</u>	<u>5,867,539</u>
Long-Term Debt — Note 5	7,900,500	8,024,500
Deferred Income Taxes	3,842,491	4,195,921
Shareholders' Equity		
Capital — Note 6		
Authorized		
24,800 Preferred shares of \$100 each issuable in one or more series		
2,400,000 Class "A" and 800,000 Class "B" shares without nominal or par value		
Issued		
14,220 4¼ % Cumulative redeemable preferred shares	\$ 1,422,000	
1,360,016 Class "A" and 480,008 Class "B" shares	7,162,683	
	<u>8,584,683</u>	
Retained Earnings — For use in the Business — Note 7	9,267,236	17,762,183
	<u>17,851,919</u>	<u>\$35,850,143</u>
	<u>\$33,519,160</u>	

1,360,016

480,008

1,840,024 shares A+B

Rolland Paper Company, Limited
Statement of Consolidated Retained Earnings

	Year ended December 31 1971	1970
Retained Earnings at Beginning of Year	\$ 9,177,500	\$10,193,813
Net earnings (loss) for the year	150,171	(421,871)
	9,327,671	9,771,942
Dividends		
Preferred shares	60,435	60,435
Class "A" shares	—	408,005
Class "B" shares	—	126,002
	60,435	594,442
Retained Earnings at End of Year	\$ 9,267,236	\$ 9,177,500

Rolland Paper Company, Limited

Notes to Consolidated Financial Statements, December 31, 1971

Note 1 — Principles of Consolidation

The consolidated financial statements include the accounts of Rolland Paper Company, Limited and its wholly owned subsidiaries, Canada Glazed Papers Limited, Fine Papers, Limited and The Wilson-Munroe Company Limited. The operating results of The Wilson-Munroe Company Limited, a subsidiary acquired on November 11, 1970, are included for the first time in the consolidated statement of income and expense for the year ended December 31, 1971.

Note 2 — Inventories, at the lower of cost and net realizable value

	1971	1970
Finished paper and paper in process	\$ 4,516,047	\$ 4,721,952
Raw materials, wires, felts and supplies	1,731,141	1,478,082
Repair parts and maintenance materials	468,905	439,557
	<u>\$ 6,716,093</u>	<u>\$ 6,639,591</u>

Note 3 — Investment at Cost

This investment consisting of common shares of Consolidated-Bathurst Limited is not considered by the Company to be of a current nature. Market quotations at December 31, 1971 indicated a value of \$984,375.

Note 4 — Property, Plant and Equipment

	Cost	Accumulated Depreciation	Net 1971	Net 1970
Machinery and equipment	\$24,991,982	\$14,591,134	\$10,400,848	\$11,239,929
Buildings	6,589,392	3,069,074	3,520,318	3,663,734
Leasehold improvements	237,960	132,639	105,321	122,628
Water power	300,000	—	300,000	300,000
Land	431,955	—	431,955	454,030
	<u>\$32,551,289</u>	<u>\$17,792,847</u>	<u>\$14,758,442</u>	<u>\$15,780,321</u>

Depreciation is provided using the straight-line method in the manufacturing companies and the diminishing balance method in the wholesale distributor companies.

Note 5 — Long-Term Debt

Rolland Paper Company, Limited

1971

1970

First Mortgage Bonds 4½ % Sinking
Fund Bonds due January 2, 1975

\$ 4,000,000

Deduct:

Bonds redeemed and cancelled
including \$597,500 in anticipation
of future Sinking Fund
Requirements of which \$201,500
is applicable to the balance
due January 2, 19753,297,500**\$ 702,500**

\$ 826,500

Sinking Fund Requirements
\$300,000 per annum January 2,
1972-1974, balance of \$400,000
due January 2, 19755¾ % Sinking Fund Debentures,
due July 2, 1984

7,500,000

Deduct:

Debentures redeemed and
cancelled in anticipation of
future Sinking Fund
Requirements302,000**7,198,000**

7,198,000

Sinking Fund Requirements
\$300,000 per annum July 2,
1972-1979, \$500,000 per annum
July 2, 1980-1983, balance of
\$3,100,000 due July 2, 1984**\$ 7,900,500****\$ 8,024,500**

The declaration of dividends and the redemption of preferred shares of Rolland Paper Company, Limited are restricted if such declaration or redemption result in a reduction of the working capital of the Company to an amount less than \$2,000,000.

Note 6 — Capital

The preferred shares of the 4¼ % series are redeemable at \$104 per share and are non-voting unless four quarterly dividends are in arrears. Class "A" shares are non-voting unless the Company shall fail, for a period of two consecutive years, to pay any dividend on such shares.

Class "A" shares are entitled to a non-cumulative dividend at the rate of 10 cents per share per annum before payment of any dividend on Class "B" shares. If in any fiscal year dividends at the rate of 5 cents per share per annum are paid on Class "B" shares, any further distribution in respect of that fiscal year shall be made equally, share for share upon all outstanding Class "A" and Class "B" shares.

Note 7 — Retained Earnings

An amount of \$258,000 of retained earnings is restricted under Section 62 of the Canada Corporations Act as a result of the redemption of 2,580 preferred shares in past years.

Note 8 — Directors' and Officers' Remuneration

Aggregate remuneration to persons who served as Directors and Officers of Rolland Paper Company, Limited at any time during the year was as follows:

	1971		1970	
	12 Directors/9 Officers		12 Directors/11 Officers	
Remuneration paid by:	(4 Officers were also Directors)		(5 Officers were also Directors)	
Rolland Paper Company, Limited	\$ 30,800	\$222,700	\$ 28,900	\$255,300
Subsidiary Company Canada Glazed Papers Limited	2,700	—	3,000	—
	<u>\$ 33,500</u>	<u>\$222,700</u>	<u>\$ 31,900</u>	<u>\$255,300</u>

Note 9 — Net Earnings (loss) per Share

The net loss per share in 1970 was calculated after taking into account the differential in the dividends paid during the year to the Class "A" and Class "B" shares. No dividends were paid on these shares in 1971.

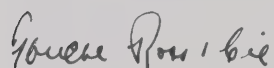
Auditors' Report to the Shareholders

The Shareholders,
Rolland Paper Company, Limited,
Montreal, Que.

We have examined the consolidated balance sheet of Rolland Paper Company, Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of income and expense, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE, ROSS & CO.
Chartered Accountants



Montreal, Que.
January 29, 1972.

Paper, product of our times



Ten-Year Comparative Statistics

1971

Sales and earnings

Net sales	\$41,555,060
Dividend income	—
Depreciation	1,292,146
Bond interest	458,691
Earnings (loss) before income taxes	256,830
Income taxes	106,659
Net earnings (loss)	150,171
Cash flow	1,088,887
Percentage of net earnings (loss) to net sales	0.4%
Percentage of net earnings (loss) to total assets	0.3%

Distribution of earnings

Dividend on preferred shares	\$ 60,435
Dividend on class "A" and "B" shares	—
Retained in the business	89,736

Per share*

Net earnings (loss) per class "A" share	\$ 0.05
Dividend per class "A" share	—
Cash flow per class "A" share	0.56
Book value per class "A" and "B" shares	8.90

Financial

Assets:	
Working capital	\$ 8,385,170
Investment in securities	5,862,651
Fixed assets, net	14,758,442
Other assets	588,647
Total working capital and other assets	29,594,910

Financed by:	
Long-term debt	7,900,500
Deferred income taxes	3,842,491
Preferred shares	1,422,000
Class "A" and "B" shareholders equity	16,429,919
	29,594,910

Ratio of current assets to current liabilities	3.1:1
Capital expenditures	\$ 297,388

Other statistics

Number of shareholders	2,320
Number of employees	1,285

NOTE:

Results of Canada Glazed Papers Limited are included from February 24, 1964, results of Fine Papers, Limited from January 1, 1970 and results of The Wilson-Munroe Company Limited from January 1, 1971.

1970	1969	1968	1967	1966	1965	1964	1963	1962
\$34,084,751	\$35,647,256	\$34,903,154	\$32,880,771	\$29,935,187	\$28,290,544	\$26,032,008	\$20,633,530	\$20,455,394
62,500	125,000	125,000	250,000	262,500	184,375	—	—	—
1,256,525	1,206,907	1,216,595	1,148,587	1,072,238	817,640	698,358	559,077	534,970
484,456	520,189	544,214	569,739	597,001	638,021	372,386	144,654	153,985
(746,285)	2,979,817	2,645,318	3,612,328	2,994,320	3,297,750	2,759,939	2,586,179	2,468,021
(324,414)	1,443,743	1,238,949	1,723,463	1,265,915	1,531,424	1,420,628	1,310,063	1,263,796
(421,871)	1,536,074	1,406,369	1,888,865	1,728,405	1,766,326	1,339,311	1,276,116	1,204,225
585,631	2,665,881	2,486,965	3,061,031	3,993,637	4,115,390	2,397,169	1,948,293	1,915,595
(1.2%)	4.3%	4.0%	5.7%	5.8%	6.2%	5.1%	6.2%	5.9%
(0.8%)	3.0%	2.9%	3.8%	3.7%	4.0%	3.7%	5.2%	5.2%
\$ 60,435	\$ 60,435	\$ 60,435	\$ 61,513	\$ 64,993	\$ 71,400	\$ 71,400	\$ 71,400	\$ 71,400
534,007	712,009	712,009	712,009	712,009	490,507	408,007	408,007	336,006
(1,016,313)	763,630	633,925	1,115,343	951,403	1,204,419	859,904	796,709	796,819
\$ (0.25)	\$ 0.82	\$ 0.74	\$ 1.01	\$ 0.92	\$ 1.00	\$ 0.90	\$ 0.85	\$ 0.80
0.30	0.40	0.40	0.40	0.40	0.30	0.30	0.30	0.25
0.30	1.43	1.33	1.64	2.15	2.36	1.63	1.32	1.30
8.85	9.40	8.99	8.64	8.03	8.02	4.69	5.06	4.50
\$ 7,750,985	\$ 9,901,323	\$ 9,734,780	\$ 9,680,578	\$ 9,522,411	\$ 8,408,378	\$ 5,542,112	\$ 5,066,795	\$ 4,461,880
5,862,651	5,862,651	5,862,651	5,862,651	5,862,651	5,862,651	—	—	—
15,780,321	15,934,251	16,176,079	16,136,194	15,651,253	15,500,429	11,211,744	8,128,535	8,097,641
588,647	257,315	—	88,662	118,848	490,308	5,153,000	—	—
<u>29,982,604</u>	<u>31,955,540</u>	<u>31,773,510</u>	<u>31,768,085</u>	<u>31,155,163</u>	<u>30,261,766</u>	<u>21,906,856</u>	<u>13,195,330</u>	<u>12,559,521</u>
8,024,500	8,751,000	9,255,500	9,748,000	10,217,000	11,267,000	11,879,500	3,077,000	3,351,000
4,195,921	4,426,044	4,503,144	4,639,144	4,615,565	3,422,571	1,522,231	1,117,600	1,004,500
1,422,000	1,422,000	1,422,000	1,422,000	1,479,000	1,680,000	1,680,000	1,680,000	1,680,000
16,340,183	17,356,496	16,592,866	15,958,941	14,843,598	13,892,195	6,825,125	7,320,730	6,524,021
<u>29,982,604</u>	<u>31,955,540</u>	<u>31,773,510</u>	<u>31,768,085</u>	<u>31,155,163</u>	<u>30,261,766</u>	<u>21,906,856</u>	<u>13,195,330</u>	<u>12,559,521</u>
2.3:1	3.5:1	4.2:1	2.9:1	3.7:1	3.6:1	2.3:1	2.9:1	2.7:1
\$ 693,710	\$ 841,311	\$ 1,261,104	\$ 1,639,203	\$ 1,215,420	\$ 5,154,185	\$ 3,011,934	\$ 591,885	\$ 907,746
2,377	2,330	2,330	2,343	2,491	2,518	2,331	1,889	1,839
1,289	1,288	1,325	1,308	1,260	1,163	1,121	877	905

*Net earnings, dividend and cash flow per class "B" share are 5 cents less than per class "A" share except in 1970 when the differential is 4 cents and in 1971 when there is no differential.

1965 per share calculated on average number of shares for the year.

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Paper, product of our times

Paper is one of the oldest and most enduring inventions of man.

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